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H. JAGER
DEVELOPMENTS INC.

1995
ANNUAL REPORT

Notice of
Annual Meeting
of Shareholders
and
Management Proxy
Circular

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H. JAGER DEVELOPMENTS INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

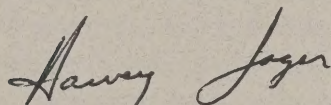
JUNE 24, 1995

TAKE NOTICE that the 1995 annual meeting of the shareholders of H. Jager Developments Inc. (the "Corporation") will be held at the Heritage Inn, 1303 – 2nd Street West, Brooks, Alberta on Saturday, June 24, 1995, at 2:00 p.m. (Calgary time) for the purposes of:

- (a) receiving and considering the audited financial statements of the Corporation for the financial year ended February 28, 1995 together with a report of the auditors thereon;
- (b) electing the directors for the ensuing year;
- (c) appointing auditors for the ensuing year and authorizing the directors to fix their remuneration;
- (d) transacting such other business as may properly come before the said meeting or any adjournment of the meeting.

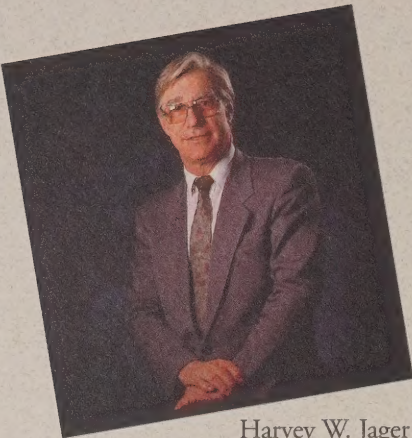
DATED at Calgary, Alberta this 19th day of May, 1995.

By Order of the Board of Directors



Harvey W. Jager
President and Chief Executive Officer

If you are unable to be present at the meeting, PLEASE SIGN AND RETURN THE ACCOMPANYING FORM OF PROXY to H. Jager Developments Inc., 220, 280 Midpark Way S.E., Calgary, Alberta, T2X 1J6 by noon (Calgary time) on the business day preceding the day of the meeting or any adjournment of the meeting.



Harvey W. Jager
President and
Chief Executive Officer

PRESIDENT'S MESSAGE

MAY 19, 1995



DEAR SHAREHOLDER,

The year ended February 28, 1995, marked a positive turnaround in which we posted a modest \$0.01 per share earnings compared with the previous year's loss of \$0.11 per share. This positive trend is expected to accelerate in the near future as our past efforts and investments begin to pay off.

Lake Newell Resort

In 1993 we acquired an option on all the developable land around Lake Newell, the largest lake in Southern Alberta. We planned and received subdivision approval on the first six blocks of land which yielded almost 400 single and multifamily lots and ten acres of commercial land.

In 1994 we built 8 km of access road, a water treatment plant, and serviced 160 lots. Half of these are now sold and the first 16 houses are built and occupied. Additional houses or cottages are under construction and lot sales activity is brisk. We believe the project now has momentum and the difficult start up stage is past.

We have produced a master plan of what the project may look like in five years. This includes 18-hole championship and 9-hole executive golf courses, a 700 slip marina and yacht club, a lodge, and over 1000 single and multifamily residential lots.

We have three distinct markets for this project. The local housing market is a sellers' market and the lifestyle we offer is attractive. Secondly, there are few lakes in Southern Alberta so most competitive resort properties are much further away from major markets. Finally, the retirement market is potentially the largest as it includes full-time residents from Northern and Western Canada and part-time residents from the Southwestern United States. It is comforting to know that we have sufficient land optioned that Lake Newell Resort can grow to become a community such as Sun City, Arizona, with the opposite season and a lake.

Innisfail Country Lodge - Active Seniors Condo

We have converted this 42 suite former Motor Hotel into a condominium for active seniors with many choices in lifestyle and amenities. We originally intended to sell the rooms to the occupants and lease or sell the restaurant, lounge and banquet hall to an operator. However, we have discovered that it is easier to lease the units than to sell them. At present the bottom floor is full with half sold and half leased. While the lease rates we are getting make the units readily saleable to investors, we are now considering holding half of them for cash flow appreciation.

The second floor will be opened as soon as the elevator installation is complete. We already have a lease waiting list developing. A number of infrastructure upgrades have been undertaken, which fit into a planned addition of another 42 suites. The addition will not be constructed until 1996 and will also be for sale or lease.



Villas Housing

We have decided not to start any new villas housing or house construction projects, but will continue with the current ones, which are expected to be completed within the first two quarters. We have taken a minor but appropriate write-down of houses under construction to reflect current market conditions. This strategic decision will result in a more manageable company with a focus on higher margin operations and investments.

H.J. Forest Products Inc.

Last year H. Jager Developments Inc. issued two million treasury shares to Harvey Jager and H.W. Jager Investments Inc. at \$2.30 per share in exchange for 744,628 shares (9.5%) of H.J. Forest Products Inc. (HJF/TSE) and warrants to acquire a further 507,284 shares at \$5.91 until June 30, 1996.

Upon exercising the warrants, our ownership in H.J. Forest Products Inc. will increase to 14.9%. This investment will then be accounted for on the equity basis. This means that the earnings per share of H. Jager Developments Inc. will include our proportional share of the earnings of H.J. Forest.

H.J. Forest Products Inc. owns an 82% interest in Jager Strandboard Limited Partnership (MacMillan Bloedel Limited owns 18%). The Partnership is constructing a \$108 million Oriented Strand Board (OSB) plant near Wawa, Ontario. Construction has proceeded without any significant problems or deviations from budget. Machinery installation is nearing completion. Start up is expected by late July/95.

Oriented Strand Board is a commodity panelboard which competes with plywood, but has a very significant cost advantage over plywood and has been eroding plywood's market share for many years. Logs currently going to plywood mills are in strong demand for other high-value end uses, while OSB utilizes low quality logs not suitable for other uses.

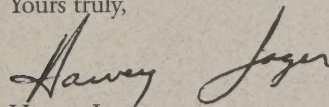
There are several other OSB plants under construction at this time. As new OSB plants come on stream it is logical that prices will soften somewhat which will cause OSB to take additional market share away from plywood. It is important to note that MacMillan Bloedel has contracted to take the entire production from Jager Strandboard.

It has been noted that almost every tree in North America has been allocated. It is therefore unlikely we will see any further expansion beyond the current round of announced OSB capacity increases. This means the forests allocated to the Wawa plant, which are growing at a rate equal to the 680,000 cubic meter annual allowable cut, will become more valuable.

On May 31, 1995, approximately half of our H.J. Forest Products Inc. shares become free trading. This liquid asset improves access to more conventional financing for our other projects, which will lower our costs and remove past financial constraints.

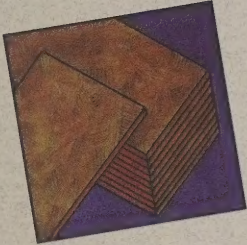
In summary, we can look forward to fiscal 1995 - 1996 with the expectation of growing earnings as the OSB investment comes into production, the Lake Newell Resort project shows its momentum and as the Country Lodge fills up.

Yours truly,



Harvey Jager

President and Chief Executive Officer



MANAGEMENT PROXY CIRCULAR SOLICITATION OF PROXIES

This Management Proxy Circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of H. Jager Developments Inc. (the "Corporation") for use at the Annual Meeting of Shareholders of the Corporation (the "Meeting") to be held at the Heritage Inn, 1303-2nd Street West, Brooks, Alberta, on Saturday, June 24, 1995 at 2:00 p.m. (Calgary time), and at any adjournment thereof, for the purposes set forth in the Notice of Meeting accompanying this Circular (the "Notice of Meeting"). The solicitation of proxies will be by mail. In addition, the solicitation may also be made by officers and employees of the Corporation either in person or by telephone. The cost of solicitation will be borne by the Corporation.

APPOINTMENT OF PROXYHOLDER

The persons named in the form of proxy accompanying this Circular (the "Form of Proxy") are officers of the Corporation. **A shareholder has the right to appoint a person, who need not be shareholder of the Corporation, to represent the shareholder at the Meeting other than the persons designated in the Form of Proxy and may do so either by inserting the name of such person in the blank space provided in the Form of Proxy or by completing another proper form of proxy.** To be valid, the Form of Proxy must be signed by the shareholder or the shareholder's attorney duly authorized in writing. To be used at the Meeting, a duly completed and executed Form of Proxy (a "Proxy") must be deposited with the President of the Corporation at the offices of the Corporation at 220, 280 Midpark Way S.E., Calgary, Alberta, T2X 1J6 no later than noon (Calgary time) on the business day preceding the day of the Meeting, or any adjournment thereof.

REVOCATION OF PROXIES

A shareholder may revoke a Proxy by depositing an instrument in writing signed by the shareholder or by the shareholder's attorney duly authorized in writing at the offices of the Corporation at the address set out above or at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, at which the Proxy is to be used, or with the chairman of the Meeting on the day of the Meeting, or an adjournment thereof, or in any other manner permitted by law.

VOTING OF PROXIES

The Form of Proxy provides a means for a shareholder to specify that such shareholder's shares shall be voted or withheld from voting in respect of the appointment of the auditor and the election of directors. If the shareholder specifies that such shares shall be voted or withheld from voting in respect of the appointment of the auditor or the election of directors such shares will be voted accordingly. In addition, the shares represented by the Proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for.

If a shareholder does not specify on the Form of Proxy that the shares represented by the Proxy are to be voted or withheld from voting in respect of the appointment of auditors or the election of directors, the shareholder shall be deemed to have granted authority to the proxyholder to vote such shares in favour of the election of the individuals referred to below who are proposed to be nominated for election as directors of the Corporation

and in favour of the appointment of Doane Raymond, Chartered Accountants, as auditors of the Corporation.

The Form of Proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and other matters that may properly come before the Meeting. As of the date of this Circular, management of the Corporation is not aware of any such amendments, variations or other matters.

RECORD DATE

The board of directors of the Corporation has fixed May 19, 1995 as the record date for the determination of the persons entitled to receive notice of and to vote at the Meeting, and at any adjournment thereof. Only shareholders of record at the close of business on that date are entitled to vote at the Meeting except to the extent that any such shareholder has transferred such shareholder's shares after the record date and the transferee produces properly endorsed share certificates or otherwise establishes ownership of such shares and requests, not later than 10 days before the Meeting, that such transferee's name be included in the list of shareholders entitled to vote at the Meeting. In that case the transferee will be entitled to vote such shares at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS

As of the date of this Circular, 13,551,314 common shares of the Corporation were issued and outstanding. Each common share entitles the holder thereof to one vote on all matters to be voted on at the Meeting.

To the knowledge of the board of directors and senior officers of the Corporation, the only persons which beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to the outstanding shares of the Corporation as of the date of this Circular are:

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage</u>
638707 Alberta Ltd. ⁽¹⁾	1,560,878	11.5%
H.W. Jager Investments Inc. ⁽²⁾	4,545,016	33.5%

⁽¹⁾ 638707 Alberta Ltd. is a private corporation owned by Harvey W. Jager

⁽²⁾ H.W. Jager Investments Inc. is a private corporation owned by Harvey W. Jager and members of his immediate family.

ELECTION OF DIRECTORS

The Corporation is required to have a minimum of five directors and a maximum of ten directors. The following table sets out the names of the individuals proposed to be nominated at the Meeting for election as directors of the Corporation, the date each such nominee first became a director of the Corporation and since which such nominee has continuously served as director, the principal occupation, business or employment of each nominee within the last five years (including the name and principal business of any person or company in which that employment was carried on) and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised, by the nominee. All such information is based upon information furnished to the Corporation by the respective nominee. Each director will be elected to serve until the next annual meeting of the shareholders of the Corporation or until such director's successor is elected or appointed in accordance with the Business Corporations Act (Alberta) and the by-laws of the Corporation. The Corporation is required to have an audit committee, the current members of which are indicated below.

Name and Municipality of Residence	Principal Occupation, Business or Employment	Shares beneficially owned, directly or indirectly, or over which control or direction is exercised
HARVEY W. JAGER ⁽¹⁾ Calgary, Alberta	President and Chief Executive Officer of the Corporation since October 28, 1991; President and Chief Executive Officer of H. J. Forest Products Inc. since May 8, 1992; Chairman of the management board of Jager Strandboard Limited Partnership since February 23, 1994; President of Harvey Jager Holdings Inc. from 1988 until its amalgamation with the Corporation on February 28, 1992; President and Chief Executive Officer of Seven S Structures Inc. from January, 1989 to August, 1990. Mr. Jager has been a director of the Corporation since October 17, 1991.	1,560,878 ⁽²⁾
HERB MOELLER ⁽¹⁾ Richmond, British Columbia	Vice President of H. J. Forest Products Inc. since November 17, 1993; Forest industry consultant to the Corporation from February, 1992 to November, 1993; President of Howard Marten (B.C.) Company Ltd. from 1980 to 1989. Mr. Moeller has been a director of the Corporation since June 29, 1993.	48,000
N. WAYNE MISURA ⁽¹⁾ Calgary, Alberta	Vice President, Finance and Chief Financial Officer of H.J. Forest Products Inc.; Vice President and Chief Financial Officer of Stone Creek Properties Inc. from March 1, 1995; Vice President, Finance and Chief Financial Officer of the Corporation from July, 1994 to February, 1995; Chief Financial Officer of Smed Manufacturing Inc. from February, 1994 to May, 1994; prior thereto Vice President Financial Services of Trizec Corporation Ltd. Mr. Misura has been a director of the Corporation since April 1, 1995.	1,500
ALEXANDER T. PATTERSON ⁽¹⁾ Calgary, Alberta	President of 397123 Alberta Ltd. (land development and consulting). Mr. Patterson has been a director of the Corporation since September 1, 1994.	NIL
DALE E. SKINNER ⁽¹⁾ Calgary, Alberta	Partner of law firm McCarthy Tétrault since 1991; prior thereto, associate with the same firm. Mr. Skinner has been a director of the Corporation since November 4, 1993.	NIL

(1) Members of the audit committee.

(2) In addition, H.W. Jager Investments Inc., a corporation owned by Mr. Jager and members of his immediate family, owns 4,545,016 shares of the Corporation.

EXECUTIVE COMPENSATION

The number of executive officers of the Corporation is three. The aggregate cash compensation paid to the Corporation's executive officers by the Corporation for services rendered during the most recently completed financial year was \$186,000.

STOCK OPTION PLAN

The Corporation's stock option plan (the "Plan") was adopted to assist the Corporation in attracting, retaining and motivating directors, officers, employees and consultants of the Corporation and to closely align the personal interests of such directors, officers, employees and consultants with those of the shareholders of the Corporation by providing them with the opportunity, through options, to acquire shares of the Corporation. The Plan is administered by the board of directors of the Corporation and is subject to applicable regulatory requirements. The maximum number of shares which may be reserved and made available for issuance under the Plan is 10% of the outstanding common shares of the Corporation from time to time. The maximum number of shares which may be reserved for issuance to any individual is 5% of the outstanding shares of the Corporation.

Options may be granted under the Plan to any person who is a full-time or part-time director, officer, employee or consultant of the Corporation (a "participant"). The majority of persons eligible for participation in the Plan may be directors or officers of the Corporation. The total number of shares available under the Plan and to each participant, the time or times and price or prices at which options shall be granted, the time or times at which such options are exercisable and any conditions or restrictions on the exercise of options is in discretion of the board of directors (provided that the exercise price of any option may not be less than the market price of the common shares of the Corporation on The Alberta Stock Exchange less the maximum discount permitted under the regulations of such exchange). All options granted under the Plan expire not later than the fifth anniversary of the date such options are granted. Options granted under the Plan are not transferable or assignable.

If a participant is dismissed as an officer or employee by the Corporation for cause, all unexercised options held by that participant immediately terminate. If a participant ceases to be an officer or director of the Corporation as a result of disability or illness, retirement, resignation or such other circumstances as may be approved by the board of directors, such participant has the right for a period of 30 days from the date that such participant ceased to be an officer, employee or director (or, if earlier, until the expiry date of the option) to exercise options under the Plan to the extent they were exercisable on the date that such participant ceased to be an officer, employee or director of the Corporation. Upon the expiration of such period all unexercised options of that participant immediately terminate. In the event of the death of any participant, the legal representatives of the deceased participant have the right for a period of 180 days from the date of death of the participant (or, if earlier, until the expiry date of the option) to exercise the deceased participant's options to the extent that they were exercisable on the date of death. Upon the expiration of such period all unexercised options of the deceased participant immediately terminate.

The board of directors grants options to executive officers based on the recommendation of the President of the Corporation. The criteria used to determine the number of options granted takes into account the fact that the directors are not paid or otherwise compensated by the Corporation for their services in their capacity as directors, including committee participation, and the fact that the President and Chief Executive Officer does not receive cash compensation from the Corporation.

During its most recently completed financial year the Corporation issued options to its executive officers entitling such executive officers to acquire an aggregate of 75,000 shares. As at February 28, 1995 a total of 337,500 shares were under options granted to executive officers. The average per share exercise price of options granted to executive officers during the most recently completed financial year of the Corporation was \$ 1.00 per share.

As of the date of this Circular the directors and executive officers as a group hold options to purchase an aggregate of 825,000 shares of the Corporation.

Options to purchase 187,500 shares were exercised by the executive officers during the Corporation's most recently completed financial year.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

The following is a description of any material interest of insiders, nominees for the election of director and associates and affiliates thereof in any transaction or proposed transaction since March 1, 1994 that has materially affected or would materially affect the Corporation.

On December 9, 1994 the Corporation issued 500,000 common shares to H.W. Jager Investments Inc., a corporation owned by Mr. Harvey W. Jager and members of his immediate family, for an aggregate of \$375,000.

On November 15, 1994 the Corporation issued a share purchase warrant to H.W. Jager Investments Inc. to subscribe for 333,333 common shares at a price of \$0.75 per share on or before November 15, 1996. This warrant was issued as collateral consideration for a loan by H.W. Jager Investments Inc. to the Company of \$250,000.

On July 6, 1994 the Corporation issued a share purchase warrant to H.W. Jager Investments to purchase 91,667 common shares at a price of \$1.40 per share on or before April 30, 1996. The warrant was issued in connection with a loan made by H.W. Jager Investments Inc. to the Corporation in the amount of \$110,000.

On July 5, 1994 the Corporation issued a share purchase warrant to Mr. Harvey W. Jager to purchase 157,500 common shares at a price of \$1.40 per share on or before April 30, 1996. This warrant was issued in conjunction with a loan made by Mr. Jager to the Corporation in the amount of \$189,529.

On June 3, 1994 the Corporation issued a share purchase warrant to 476330 Alberta Ltd., a corporation owned by Mr. Brower and members of his immediate family, to purchase 133,333 common shares at a price of \$1.50 per share on or before June 30, 1996. This warrant was issued in conjunction with a loan made by 476330 Alberta Ltd. to the Corporation in the amount of \$200,000. On November 18, 1994, 476330 Alberta Ltd.

agreed to extend the maturity of the loan from September 8, 1994 to March 31, 1995. In consideration for the extension the Corporation agreed to decrease the exercise price on the share purchase warrant from \$1.50 per share to \$1.00 per share.

On February 17, 1995, the Corporation entered into an agreement with 476330 Alberta Ltd., under which 476330 Alberta Ltd. loaned \$450,000 to the Corporation with a four-month term at an interest rate of 18% per annum. The loan is secured by 118,578 shares of H.J. Forest Products Inc. In connection with this loan, 476330 Alberta Ltd. earned a 3% commitment fee.

During the 1995 fiscal year, H.W. Jager Investments Inc. purchased from the Corporation, at market value, 21 lots at Lake Newell for \$666,369. The amount outstanding at February 28, 1995 is due on the earlier of the date of transfer of title or December 31, 1995 and represents the purchase price less advances made to the Corporation by H.W. Jager Investments Inc. during the year.

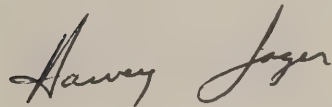
It is proposed that Doane Raymond, Chartered Accountants, the Corporation's existing auditors, be reappointed as auditors for the Corporation until the next annual meeting of the shareholders of the Corporation. Doane Raymond have been auditors for the Corporation since January 30, 1992.

APPOINTMENT OF AUDITORS

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or is necessary to make a statement not misleading in light of the circumstances in which it was made.

CERTIFICATE

Dated May 19, 1995 at Calgary, Alberta.



HARVEY W. JAGER
President and Chief Executive Officer



TIM A. DUFFIN
*Vice President, Finance
and Chief Financial Officer*

AUDITORS' REPORT

To the Shareholders of
H. Jager Developments Inc.

We have audited the consolidated balance sheets of H. Jager Developments Inc. as at February 28, 1995 and February 28, 1994 and the consolidated statements of operations and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 1995 and February 28, 1994 and the results of its operations and changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
April 13, 1995

DOANE RAYMOND
Chartered Accountants

H. JAGER DEVELOPMENTS INC.
**CONSOLIDATED
BALANCE SHEET**

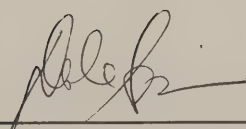
FEBRUARY 28

	<u>1995</u>	<u>1994</u>
ASSETS		
Accounts receivable	\$ 242,818	\$ 575,314
Prepaid expense and deposits	75,324	44,508
Land and housing under development	8,925,941	2,997,798
Due from related party ^(Note 3)	365,664	—
Other ^(Note 4)	248,394	216,518
Investment in H. J. Forest Products Inc. ^(Note 5)	<u>4,578,405</u>	<u>4,600,000</u>
	<u>\$ 14,436,546</u>	<u>\$ 8,434,138</u>
LIABILITIES		
Bank indebtedness	\$ 52,564	\$ 113,218
Accounts payable and accrued liabilities	1,312,209	1,144,742
Customer and mortgage advances	632,810	1,073,955
Due to related parties ^(Note 6)	246,183	281,054
Mortgages and loans ^(Note 7)	<u>5,582,523</u>	<u>154,955</u>
	<u>7,826,289</u>	<u>2,767,924</u>
SHAREHOLDERS' EQUITY		
Capital stock ^(Note 8)	7,641,385	6,876,385
Deficit	<u>(1,031,128)</u>	<u>(1,210,171)</u>
	<u>6,610,257</u>	<u>5,666,214</u>
	<u>\$ 14,436,546</u>	<u>\$ 8,434,138</u>

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

H. JAGER DEVELOPMENTS INC.
CONSOLIDATED
STATEMENT OF
OPERATIONS

YEAR ENDED FEBRUARY 28

	<u>1995</u>	<u>1994</u>
SALES	\$ 6,526,506	\$ 4,383,373
DIRECT COSTS	<u>5,701,235</u>	<u>4,313,040</u>
	<u>825,271</u>	<u>70,333</u>
EXPENSES		
General and administrative	532,531	845,255
Depreciation and amortization	35,151	41,343
Interest	<u>6,087</u>	<u>28,769</u>
	<u>573,769</u>	<u>915,367</u>
EARNINGS (LOSS) BEFORE UNDERNOTED	251,502	(845,034)
Loss on sale of securities	(904)	—
Gain on sale of fixed and other assets	27,540	—
Write-down of land and housing under development	<u>(99,095)</u>	<u>(260,000)</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	179,043	(1,105,034)
INCOME TAXES ^(Note 10)	<u>—</u>	<u>—</u>
NET EARNINGS (LOSS)	179,043	(1,105,034)
DEFICIT, beginning of year	<u>(1,210,171)</u>	<u>(105,137)</u>
DEFICIT, end of year	<u>\$ (1,031,128)</u>	<u>\$ (1,210,171)</u>
EARNINGS (LOSS) PER SHARE	<u>\$ 0.01</u>	<u>\$ (0.11)</u>

See accompanying notes to the financial statements.

H. JAGER DEVELOPMENTS INC.
**CONSOLIDATED
STATEMENT OF
CHANGES IN
FINANCIAL POSITION**

YEAR ENDED FEBRUARY 28

	<u>1995</u>	<u>1994</u>
CASH DERIVED FROM (APPLIED TO)		
OPERATING		
Net earnings (loss)	\$ 179,043	\$(1,105,034)
Depreciation and amortization	35,151	41,343
Gain on sale of fixed and other assets	(27,540)	(819)
Loss on sale of securities	904	—
Write-down of land and housing under development	<u>99,095</u>	<u>260,000</u>
	286,653	(804,510)
Land and housing under development	(6,027,238)	(1,331,268)
Other assets and liabilities ^(Note 11)	<u>370,521</u>	<u>649,559</u>
	<u>(5,370,064)</u>	<u>(1,486,219)</u>
FINANCING		
Proceeds on issue of shares	765,000	5,519,145
Customer and mortgage advances	(441,145)	797,182
Advances (to) from related parties	(400,535)	124,499
Proceeds from mortgages and loans	6,189,500	—
Repayment of mortgages and loans	<u>(761,932)</u>	<u>(277,145)</u>
	<u>5,350,888</u>	<u>6,163,681</u>
INVESTING		
Additions to fixed assets	(47,681)	(61,078)
Proceeds on disposal of fixed and other assets	106,820	16,900
Proceeds on sale of securities	20,691	—
Investment in H. J. Forest Products Inc.	<u>—</u>	<u>(4,600,000)</u>
	<u>79,830</u>	<u>(4,644,178)</u>
INCREASE IN CASH	60,654	33,284
BANK INDEBTEDNESS, beginning of year	<u>(113,218)</u>	<u>(146,502)</u>
BANK INDEBTEDNESS, end of year	<u>\$ (52,564)</u>	<u>\$ (113,218)</u>

See accompanying notes to the financial statements.

H. JAGER DEVELOPMENTS INC.
**NOTES TO THE
CONSOLIDATED
FINANCIAL
STATEMENTS**

FEBRUARY 28, 1995

1. OPERATIONS

H. Jager Developments Inc. is a real estate developer concentrating primarily in the development and construction of villa housing, residential and resort development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Country Rose Restaurant Inc. and Lake Newell Utility Corporation Limited.

LAND AND HOUSING UNDER DEVELOPMENT

Land development costs and housing under construction are carried at the lower of cost and estimated net realizable value. Cost includes the cost of land, construction costs, carrying costs and other direct costs associated with development. Carrying costs include interest on borrowings directly related to land development and construction in progress as well as property taxes and the applicable portion of general and administrative overheads. During the year, overhead costs and interest of \$354,000 and \$218,157 respectively were capitalized.

The cost of land is pro-rated to each phase of a project on an acreage basis up to and including the time that a plan of subdivision is established. Cost of land sold, including development and capitalized costs, are allocated, generally within each subdivision to saleable lots or acreage in proportion to anticipated revenues. Housing units sold are costed on an individual basis whereby specific and identifiable costs are applied to each unit.

REVENUE RECOGNITION

Revenues and earnings on housing unit sales are recognized when the purchaser becomes entitled to occupancy. Revenues and earnings from the sale of land and other properties is recorded when the collection of the sale proceeds is reasonably assured and all other significant conditions of sale are met.

EQUIPMENT AND INTANGIBLES

Equipment and intangibles, which are included in other assets, are recorded at cost and are depreciated and amortized respectively as follows:

Equipment	-	declining balance at rates from 20% to 30% per annum
Licensing rights	-	straight-line over 10 years
Goodwill	-	straight-line over 10 years

H. JAGER DEVELOPMENTS INC.
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated based upon the weighted average number of common shares outstanding during the year. The exercise of options and warrants as outlined in Note 8 would be non-dilutive.

3. DUE FROM RELATED PARTY

	<u>1995</u>	<u>1994</u>
H.W. Jager Investments Inc.	\$ 365,664	\$ —

During the year, H. W. Jager Investments Inc. purchased from the Company at market value 21 lots at Lake Newell for \$666,369. H.W. Jager Investments Inc. is a private corporation controlled by the president of the Company. The amount outstanding at February 28, 1995 is due on the earlier of the date of transfer of title or December 31, 1995 and represents the purchase price less advances made to the Company by H.W. Jager Investments Inc. during the year.

4. OTHER ASSETS

Note receivable

Non-interest bearing note receivable on sale of
licensing rights, to be repaid by application of
a 3% distributor discount on material purchases.

<u>1995</u>	<u>1994</u>
\$ 103,461	\$ —

Mortgages receivable

9% second mortgage due October 1, 1999
receivable in monthly instalments of \$444
including interest.

<u>10,614</u>	<u>15,449</u>
<u>114,075</u>	<u>15,449</u>

Equipment

Goodwill

Licensing rights

163,109	124,428
51,527	51,527
<u>—</u>	<u>105,000</u>
214,636	280,955

Accumulated depreciation and amortization

<u>(80,317)</u>	<u>(79,886)</u>
<u>134,319</u>	<u>201,069</u>
<u>\$ 248,394</u>	<u>\$ 216,518</u>

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5. INVESTMENT IN H. J. FOREST PRODUCTS INC.

	<u>1995</u>		<u>1994</u>
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
741,128 (1994 - 744,628) common shares of H. J. Forest Products Inc.	<u>\$ 4,578,404</u>	<u>\$ 4,632,050</u>	<u>\$ 4,600,000</u>

The Company uses the cost method of accounting for its investment of H.J. Forest Products Inc. Of the foregoing shares, 419,159 are escrowed and will be released from escrow over time to March 1, 1998. A number of the shares have been assigned as security for certain notes payable, see Note 7.

The shares of H. J. Forest Products Inc. were listed on the Toronto Stock Exchange subsequent to February 28, 1994, accordingly no market value is presented for 1994.

6. DUE TO RELATED PARTIES

	<u>1995</u>	<u>1994</u>
H.J. Forest Products Inc.	\$ 76,478	\$ 110,076
Shareholder	<u>169,705</u>	<u>170,978</u>
	<u>\$ 246,183</u>	<u>\$ 281,054</u>

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Certain officers and directors of the Company are officers and directors of H.J. Forest Products Inc. (see Note 5).

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7. MORTGAGES AND LOANS

	<u>1995</u>	<u>1994</u>
Didsbury property, non-interest bearing mortgage, due April 1, 1997, repayable in instalments of \$6,800 for each unit developed and sold on the property. Interest at 10% calculated semi-annually becomes payable only in the event of default.	\$ 62,000	\$ 93,200
Strathmore properties, 13.5% mortgage, due May 1, 1995, monthly payments of interest only with principal payments due upon sale of each property. Secured by specified lots in Strathmore.	332,000	—
Lake Newell properties, 14.5% mortgage, due July 24, 1995, monthly payments of interest only with principal payments due upon sale of each property. Secured by specified lots in Lake Newell.	969,025	—
Innisfail properties, loan bearing interest at 2.5% per month, due July 15, 1995, monthly payments of interest only. Secured by specific units of the Innisfail Country Lodge.	310,000	—
Lake Newell properties, non-interest bearing, second mortgage repayable as units are sold based upon predetermined values for each unit. Interest at bank prime rate plus 4% becomes payable only in the event of default. Secured by Lake Newell property.	3,122,689	—
Note payable, bearing interest at 18%, monthly payments of interest only, principal due June 17, 1995, secured by certain shares of H. J. Forest Products Inc. held by the Company.	450,000	—
Note payable, bearing interest at bank prime rate plus 3%, monthly payments of interest only, principal due May 31, 1995, secured by certain shares of H. J. Forest Products Inc. held by the Company.	300,000	—
Other unsecured demand loans.	36,809	—
Okotoks property, non-interest bearing, due January 1, 1996, repayable in instalments of \$7,300 for each unit developed and sold on the property.	—	61,756
	<u>\$ 5,582,523</u>	<u>\$ 154,956</u>

The notes payable in the amount of \$450,000 and \$300,000 are payable to corporations which are controlled by individuals who are Directors of the Company.

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8. CAPITAL STOCK

(a) Authorized:

Unlimited common voting shares

Unlimited preferred shares

	<u>1995</u>		<u>1994</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Balance, beginning of year	12,624,733	\$ 6,876,385	10,149,360	\$ 1,357,240
Shares issued:				
On exercise of options	300,000	290,000	220,000	244,400
Pursuant to private placement	626,582	475,000	-	-
For services	—	—	60,973	138,425
On acquisition of shares of				
H. J. Forest Products Inc. (Note 5)	—	—	2,000,000	4,600,000
On settlement of debt owing				
to H. J. Forest Products Inc.	—	—	194,400	536,320
	<u>13,551,315</u>	<u>\$ 7,641,385</u>	<u>12,624,733</u>	<u>\$ 6,876,385</u>

(c) Stock options:

As at February 28, 1995 the following options, granted to directors and employees, to acquire common shares of the Company, are outstanding:

<u>Number of Shares</u>	<u>1995</u>		<u>Number of Share</u>	<u>1994</u>	
	<u>Exercise Price Per Share</u>	<u>Expiry Date</u>		<u>Exercise Price Per Share</u>	<u>Expiry Date</u>
100,000	\$ 1.00	April 12, 1995	362,500	\$ 1.48	April 12, 1995
262,500	\$ 1.00	Nov. 4, 1996	300,000	\$ 2.55	Nov. 4, 1996
50,000	\$ 1.00	Feb. 15, 1997	<u>50,000</u>	\$ 1.64	Feb. 15, 1997
<u>185,000</u>	\$ 1.00	Sept. 30, 1997	<u>712,500</u>		
<u>697,500</u>					

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8. CAPITAL STOCK (Continued)

d) Share purchase warrants:

During the year the Company issued an aggregate of 896,333 share purchase warrants, of which 803,833 remain outstanding at February 28, 1995, including 482,500 warrants issued to the president and a corporation owned by the president of the Company. The warrants entitle the holder to subscribe for common shares of the Company as outlined below.

<u>Number of Warrants</u>	<u>Exercise Price Per Share</u>	<u>Expiry Date</u>
63,000	\$ 1.40	Aug. 31, 1995
249,167	\$ 1.40	April 30, 1996
333,333	\$ 0.75	April 30, 1996
133,333	\$ 1.00	June 30, 1996
25,000	\$ 1.00	Nov. 15, 1996

9. COMMITMENTS

The Company has acquired the exclusive right to develop approximately 1000 lots on Lake Newell near the town of Brooks. Payments for land are required only as lots are serviced and sold. Substantial additional land is optioned for 10 years on Lake Newell, Rolling Hills Reservoir and Crawling Valley Reservoir. Options not exercised in 10 years convert to a right of first refusal for a further 10 years.

10. INCOME TAXES

The provision for income taxes differs from the expected amount obtained by applying the combined Federal and Alberta Provincial income tax rate of approximately 44.3% to earnings before income taxes. The difference results from the following:

	<u>1995</u>	<u>1994</u>
Expected tax (expense) recovery	\$ (79,320)	\$ 489,500
(Increase) decrease resulting from:		
Unrecognized losses	—	(487,250)
Utilization of prior years losses	83,180	—
Non-deductible expenses	(3,860)	(2,250)
Provision for income taxes	<u>\$ —</u>	<u>\$ —</u>

The Company has accumulated a loss for income tax purposes of approximately \$1,009,500, the related benefit of which has not been recognized in the financial statements. Unless sufficient taxable income is earned in future years, this loss will expire in 2001.

H. JAGER DEVELOPMENTS INC.
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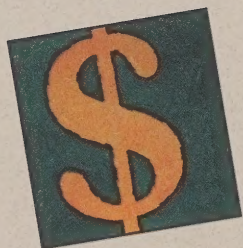
FEBRUARY 28, 1995

11. NET CHANGE IN OTHER ASSETS AND LIABILITIES

Cash derived from (applied to) changes in

operating assets and liabilities:

	<u>1995</u>	<u>1994</u>
Accounts receivable	\$ 332,496	\$ (354,742)
Income tax receivable	—	47,383
Prepaid expense and deposits	(30,816)	42,675
Accounts payable and accrued liabilities	167,467	809,080
Mortgages and patent receivable	(98,626)	105,163
	<u>\$ 370,521</u>	<u>\$ 649,559</u>



CORPORATE AND MANAGEMENT INFORMATION

OFFICERS/DIRECTORS

HARVEY JAGER
Director, President and
Chief Executive Officer

HERB MOELLER
Director

WAYNE MISURA
Director

ALEXANDER PATTERSON
Director

DALE SKINNER
Director and Secretary

GLENN BROWER
Director

TIM DUFFIN
Vice President, Finance
and Chief Financial Officer

ELIZABETH J. QUINN
Vice President, Housing

TRANSFER AGENT

Montreal Trust
411 - 8th Avenue S.W.
Calgary, Alberta

BANK

Canadian Imperial Bank of Commerce
10100 Southport Road S.W.
Calgary, Alberta

AUDITORS

DOANE RAYMOND
1900, 500 - 4th Avenue S.W.
Calgary, Alberta

LEGAL COUNSEL

McCARTHY TÉTRAULT
3300, 421 - 7th Avenue S.W.
Calgary, Alberta

SHARE LISTING

ALBERTA STOCK EXCHANGE
Trading Symbol: "HJD"
S.E.C. 12g3-2 (b) Exemption: 82-2818

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